

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-5-G - ORDER NO. 2010-____
DECEMBER __, 2010

IN RE:)	
Annual Review of Purchased Gas)	
Adjustment and Gas Purchasing)	JOINT PROPOSED ORDER ON
Policies of South Carolina Electric &)	PGA AND ADOPTING
Gas Company)	SETTLEMENT AGREEMENT
_____)	

This matter comes before the Public Service Commission of South Carolina (“the Commission”) for annual review of the Purchased Gas Adjustment and the Gas Purchasing Policies (“PGA”) of South Carolina Electric & Gas Company (“SCE&G” or “Company”), as required by Order No. 87-898, issued on August 14, 1987. Pursuant to that order, the Commission opened the present docket for the purpose of conducting SCE&G’s 2010 annual PGA review. On June 16, 2010, the Commission scheduled a hearing for this matter for November 10, 2010 and issued a notice of hearing and set return dates for intervention. The period under review in this docket is August 1, 2009 through July 31, 2010 (“Review Period”).

As the natural gas utility under review, SCE&G was automatically made a party to the proceeding. By letter dated June 16, 2010, the Commission instructed the Company to publish the Notice of Hearing in a newspaper of general circulation in the affected areas advising all interested parties of the manner and time in which to file pleadings to obtain the right to participate in this proceeding. The Commission further instructed SCE&G to provide notification of the PGA review to each affected customer via U.S. Mail or by electronic mail to those customers who have agreed to receive notices by electronic mail on or before September 3,

Mr. Burgess moved into the record the pre-filed testimony and exhibits of all SCE&G witnesses. Hearing Exhibit 3 contains the exhibits of SCE&G Witnesses Kahl and Fox. Mr. Burgess also notified the Commission that SCE&G Witness Fox was unavailable to testify. Without objection from ORS, SCE&G requested that its witness Harry L. Scruggs, the Lead Rate Analyst in the Gas Rates Department of SCANA Services, Inc., be permitted to adopt and to present at the hearing the testimony and exhibits of Ms. Fox. The Commission granted this request.

In support of its PGA and Gas Purchasing Policies and the Settlement Agreement and as stipulated in the Settlement Agreement, SCE&G presented direct testimony from Martin K. Phalen, J. Darrin Kahl, and Harry L. Scruggs. ORS presented direct testimony from Roy H. Barnette and Carey M. Stites. Consistent with the terms of the Settlement Agreement, the witnesses who pre-filed direct testimony in this proceeding and orally presented such testimony before the Commission were subject to questioning by the Commissioners, and not by any party.

The Commission has considered the testimony and the exhibits of the witnesses and the other evidence of record in this proceeding including the Settlement Agreement. Based on the evidence of record, the Commission concludes, as the Parties have stipulated, that adoption of the Settlement Agreement is in the best interest of SCE&G's customers, the State of South Carolina, and the financial integrity of the Company.

In making this finding, the Commission specifically finds that during the Review Period, SCE&G (a) properly administered the purchased gas adjustment and correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679 as modified by Order No. 2009-910; (b) employed prudent gas purchasing practices and policies; (c) recovered its gas costs consistent with applicable tariffs and Commission orders,

subject to the adjustment described in the testimony of ORS Witness Barnette, and administered the PGA in a prudent and reasonable manner; (d) conducted and administered its hedging program consistent with the authorization granted in Order No. 2006-679 and as modified in Order No. 2008-546; and (e) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans.

The Commission further finds that the monthly adjustment procedure and notification procedure for total cost of gas factors as adopted in Commission Docket No. 2006-5-G, Order No. 2006-679 as modified in Docket No. 2009-5-G, Order No. 2009-910 should be maintained. The parties have agreed, and we find it appropriate, that the demand charges included in the total cost of gas factors will continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679 by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. SCE&G agrees to use the 50-50 allocation of peak design day demand and annual forecast sales for demand charges in any recalculation of total cost of gas factors. We further find the allocation factors of Residential 65.96%, Small General Service/Medium General Service 31.46%, and Large General Service 2.58%, as set forth in SCE&G Witness Fox's pre-filed direct testimony and adopted by Company Witness Scruggs, to be appropriate for use in the cost of gas calculations beginning with the first billing cycle of January 2011.

The Commission finds that a carrying cost adjustment of \$25,702 should be applied to the Company's cumulative over/under collection amount to reflect commencement of the unbilled portion of purchased gas costs in November 2009. We accept the use of ORS's cost of gas calculations for the period August 1, 2009 through July 31, 2010 as set forth in Settlement Exhibit No. 1 attached to Hearing Exhibit No. 1.

The Commission further approves the authority of SCE&G to continue to charge and recover carrying costs, if applicable, on the cumulative total under-collection balances using the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679 for the same reasons set forth in that Order. Pursuant to that Order and in the event of an over-collection balance, carrying costs shall be credited to customers.

The Commission also finds that the Company conducted its hedging program during the Review Period prudently and consistent with the approvals granted in Orders No. 2006-679 and 2007-595 as modified by Order No. 2008-546. Moreover, the Company's hedging program should continue through the next review period without any modifications. Further, SCE&G shall continue to report to ORS and the Commission within 30 days of the close of each month the results of the hedging program for the preceding months along with other information as stipulated in the Settlement Agreement.

The Commission further approves the Company's operation of its hedging program independent of and accounted for separate from its purchase of physical gas supply.

The Commission also recognizes that SCE&G's future review periods will end on July 31 of each year. Therefore, the Commission agrees with the Parties' recommendation that the Company's future PGA hearings should be scheduled in early November of each year.

Based on the testimony and exhibits and the Settlement Agreement entered into the record, the Commission finds that the Company's gas purchasing policies and practices during the Review Period were reasonable and prudent. The Commission further finds that all matters contained in the Settlement Agreement are appropriate for adoption in this proceeding and therefore finds that the Settlement Agreement is in the public interest and is a reasonable resolution of all issues in this case.

NOW THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The Settlement Agreement attached hereto as Order Exhibit No. 1, which was stipulated to by the Settling Parties and accepted into the record without objection at the hearing, is incorporated into and made a part of this Order. Further, the Settlement Agreement constitutes a reasonable resolution to this proceeding and is hereby adopted as such.

2. During the Review Period, SCE&G properly administered the purchased gas adjustment. SCE&G also correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Orders No. 2006-679 and 2009-910 which factors are hereby approved.

3. SCE&G's gas purchasing policies and practices during the Review Period were within the guidelines established in prior Commission orders and were reasonable and prudent.

4. With the adjustment described by ORS Witness Barnette, SCE&G recovered its gas costs consistent with applicable tariffs and Commission orders during the Review Period.

5. The appropriate cost of gas calculations for the Review Period are set forth in Order Exhibit No. 1.

6. The demand charges included in the total cost of gas factors should continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679 by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales.

7. The monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Order No. 2006-679, as amended by Order 2009-910, shall be maintained.

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DOCKET NO. 2010-5-G

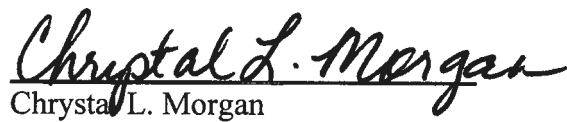
IN RE:

Annual Review of Purchased Gas Adjustment)	
and Gas Purchasing Policies of South)	CERTIFICATE OF
Carolina Electric & Gas Company)	SERVICE
)	

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the **JOINT PROPOSED ORDER** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Catherine D. Taylor, Esquire
K. Chad Burgess, Assistant General Counsel
South Carolina Electric & Gas Company
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220 Operation Way
Cayce, SC, 29203-370

Mitchell Willoughby Esquire
Benjamin P. Mustian, Esquire
Willoughby & Hoefer, P.A.
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Chrystal L. Morgan

December 1, 2010
Columbia, South Carolina